



Department of Economic and
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Catherine H. Smith
Commissioner

***TESTIMONY PRESENTED TO THE APPROPRIATIONS
SUBCOMMITTEE***

February 11, 2014

*Catherine Smith, Commissioner
Department of Economic and Community Development*

2014 Budget Presentation

Good afternoon Senator Bye, Representative Walker, and members of the committee. My name is Catherine Smith and I am commissioner of the Department of Economic and Community Development (DECD). Thank you for this opportunity to appear before you concerning Governor Malloy's proposed mid-term budget adjustments for economic and community development.

As you know, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, and preserving and promoting cultural and tourism assets.

Governor Malloy's proposed budget adjustments demonstrate that economic development continues to be a top priority of this administration and for the State of Connecticut as a whole. In particular, I would like to highlight two adjustments that underscore the Governor's commitment to improving the state's economic competitiveness.

First, the Governor's adjusted budget includes an additional \$100 million in bond funding for the Manufacturing Assistance Act (MAA), which is DECD's primary funding source for providing direct financial assistance to businesses. MAA was created by the legislature in 1990 to strengthen the state's economy by supplying assistance to businesses for eligible economic development projects. Since 2011, MAA funding has been used to create/retain more than 11,500 jobs across the state. It is the sole source of funding for all our non-Express loans and grants, providing financial incentives to growing companies in the state or to companies we are recruiting to Connecticut.



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Secondly, the Governor's adjusted budget provides \$25 million for a newly proposed Manufacturing Innovation Fund. This exciting new initiative promises to assist companies as they modernize and grow by supporting their expansion, helping them invest in new equipment and technologies, and providing them access to needed training and specialized education. Further, the Fund may be used to attract new companies to the state, as well as to aid our universities as they increase federally-funded research efforts.

With the \$25 million the Governor's adjusted budget provides for the Manufacturing Innovation Fund – and the additional \$100 million it allots for MAA – I am confident that we at DECD can continue to deliver on our mission of improving the state's economic competitiveness.

At this time, I am happy to take questions on the Manufacturing Innovation Fund, MAA, or any of the additional minor changes in the Governor's adjusted budget. I also respectfully request the Committee's support for the Governor's proposals.



Manufacturing Innovation Fund

The Connecticut Manufacturing Innovation Fund will assist Connecticut's manufacturing companies in making the innovative and strategic investments necessary to remain competitive, win vital new business, and grow jobs in the state. DECD will administer the fund with the support of an Advisory Committee composed of industry experts.

Initially, the fund will be capitalized with \$25 million and will have four critical components. They include:

- Funds to help manufacturers innovate and grow
- Support for educational/training programs and research collaborations
- The leveraging of federal grants to support advancements in manufacturing in the state and region

The fund also creates Manufacturing Investment Districts in which manufacturers will be encouraged to locate and grow. Priority will be given to companies that locate in forty-two communities that are historic manufacturing hubs in Connecticut. Many of these communities are among the state's most distressed, and targeted assistance to these towns promises to have a positive impact on their economic development and employment rates.

Company innovation, modernization and growth

The fund will support modernization and innovation for Connecticut's manufacturers, many of which are supply chain leaders to the largest defense and aerospace companies. These companies often are relied upon to come up with innovative new materials, designs and manufacturing techniques. Therefore, our supply chain companies can only compete if they remain committed to continuous improvement. And they are not alone. All manufacturers need to make continuous investments in machinery and equipment to maintain their competitive edge.

Therefore, a portion of the fund will be used to support manufacturers by providing them with direct financial assistance to help them make needed investment in new equipment and technologies. Funding may also be used to help bring new suppliers to the state by helping them establish a presence in Connecticut.

Educational/training programs and research collaborations

Workforce development is one of the most critical needs of our manufacturers. With a large percentage of the workforce retiring in the coming years, and with immediate need for skilled talent in many sectors, the fund will help promote training, longer term development of a skilled workforce and increased collaboration between universities, colleges and tech schools and local manufacturers.

In addition, the fund establishes a voucher program which will help manufacturers get access to some of the expertise they may currently lack in developing certain areas of technical support.

Leveraging of federal research funds to support advancements in manufacturing

Over the past two years, Connecticut, as a part of the New England region, has applied for large federal grants that will help the state build world-class engineering and manufacturing capabilities. The research would be done through collaboration between educational, private sector and public sector teams. The new fund will be the source of matching dollars, a requirement for federal funding.

